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ABSTRACT

This document is a revised and updated analysis of DHEW's draft Regulatory Analysis of June, 1979, concerning day care requirements. It estimates the impacts of changes to both the Notice of Proposed Rule Making (NPRM) proposals and the final rule -- particularly in relation to the differential impacts on center cost and supply of the group composition requirements, by geographic area, type of center, and age of children. Presented in an addendum are revisions which, taken together with the draft document, constitute the final Regulatory Analysis regarding day care requirements. The document covers eight topics: the purpose and scope of the final analysis, summary of the final rule, highlights of findings, analysis of provider requirements, analysis of state agency requirements, federal enforcement of the regulations, phasing and implementation of the regulations, and sources of data. (Author/DB)

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ADDENDUM TO DRAFT REGULATORY ANALYSIS
PROPOSED HEW DAY CARE REQUIREMENTS

Department of Health, Education, and Welfare
March 1980

PS011460

This analysis revises and updates the draft Regulatory Analysis, dated June 1979. The two documents together constitute the final regulatory analysis of the final day care requirements, published March 1980. This addendum does not contain all of the details of calculations and supporting materials used by the Department. Requests for copies or explanation of specific details can be addressed to the Office of the Assistant Secretary for Planning and Evaluation, Department of Health, Education, and Welfare, 200 Independence Avenue, S.W., Washington, D.C. 20201, Attn: Bill Prosser (202) 245-2240.

TABLE OF CONTENTS

I PURPOSE AND SCOPE OF FINAL ANALYSIS

II SUMMARY OF FINAL RULE

1. Background
2. Requirements
3. Day Care Center Requirements
4. Day Care Home Requirements
5. State Agency Administration
6. Final Regulatory Analysis
7. Budget Request

III HIGHLIGHTS

1. Overall Conclusion
2. Day Care Centers
3. Day Care Homes
4. State and Federal Adminstration
5. Uncertain Effects

IV ANALYSIS OF PROVIDER REQUIREMENTS

1. Group Composition
   a. Requirements
   b. Costs
      Regional Effects
      State Effects
      Effects by Center Types
      Analysis by Age of Child
   c. Comparison to Centers Not Serving Subsidized Children
   d. Scheduled Enrollment vs. Attendance
2. Health and Safety of Children in Care
3. Training
4. Other Provider Requirements

V ANALYSIS OF STATE AGENCY REQUIREMENTS

1. Waiver
2. Rates of Reimbursement
3. Other Administrative Costs

VI FEDERAL ADMINISTRATION

VII PHASING AND IMPLEMENTATION

VIII SOURCES OF DATA

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I. PURPOSE AND SCOPE OF FINAL ANALYSIS

The Regulatory Analysis procedure requires the preparation of a draft analysis at the time of NPRM, and a final analysis at the time of final rule.

Because the final rule is in most respects identical to the proposed rule's "high options", and because little additional quantitative information on costs or benefits of alternatives was provided by the public comments, the draft analysis requires little change. However, the draft analysis did not explore certain aspects of the proposal, particularly the range of its impacts (rather than averages and totals) to the degree which the Department would have preferred.

Accordingly, we have prepared this addendum to the draft analysis, to both estimate the impacts of the few changes from the NPRM proposals and to estimate in greater detail the impact of the final rule, particularly the differential impacts on center cost and supply of the group composition requirements, by geographic area, type of center, and age of children.

The revisions are presented as an addendum. The two documents, taken together, constitute the final Regulartory Analysis.

II. SUMMARY [1/]

1. BACKGROUND

Section 2002(a)(9)(B) of title XX of the Social Security Act, enacted in 1974, (P.L. 93-647) directed the Secretary of HEW to study the appropriateness of Federal Interagency Day Care Requirements (FIDCR) promulgated in 1968. That Social Security Act provision also authorized the Secretary to, "by regulation, make such modifications in the (day care requirements) as (the Secretary) determines are appropriate." On June 15, 1979, the Department published in the Federal Register proposed revisions to the FIDCR--44 F.R. 34754. The proposed rules took into account numerous comments and suggestions made by groups and individuals throughout the country concerned with day care services.

They were also based, in part, on information obtained from HEW sponsored studies on the critical elements of day care, including a five year National Day Care Study (NDCS) performed by Abt Associates, and studies by HEW's Office of Human Development Services on child day care monitoring and State day care licensing.

The June 15 notice invited comment on all aspects of the proposed rules and posed several specific questions for public consideration. The Department received over 4,000 written comments in response to the June 15 notice. In addition, the Department heard

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1/ Pages II-1 thru II-11 were excerpted verbatim from the final rule Preamble. They are provided for the convenience of the reader who has not read the final rule.

testimony on the proposed rules from participants at 10 HEW sponsored regional meetings and at a national meeting held in Washington, D.C.

In developing the final regulations we have attempted to be responsive to the needs of the low income families whose children receive day care services paid for with HEW funds. The regulations are designed to provide day care services that will promote the safety, health and proper development of the children.

At the same time, the regulations reflect a concern that the supply of day care services available to HEW funded children not be reduced because of undue cost burdens imposed by the requirements.

Finally, in formulating the regulations we have taken into account the need for flexibility and for decisionmaking and the exercise of judgment by States, day care providers and parents of children in day care.

The June 15 notice included an appendix to the proposed requirements which contained examples of ways to meet the requirements and "good practice" recommendations for States and providers. No appendix accompanies our final rules. However, we are preparing and will soon make available a Regulations Guide containing an expanded version of the original appendix.

2. REQUIREMENTS

The section which follows includes a summary of all significant changes that we have made to the proposed regulations.

Applicability

The final regulations will apply to day care services funded under title XX (social services), and title IV (WIN, Social Services to the Territories, and Child Welfare Services) of the Social Security Act and Developmental Disability day care programs.

Availability of Federal Financial Participation

We have adopted the proposed FFP rule without any modification. The requirement permits State agencies the discretion to accept plans of correction if they specify reasonable time periods within HEW requirements would be met. The requirement thus allows FFP to continue for a reasonable period for facilities which do not fully meet HEW requirements, but which demonstrate a clear intent to meet all standards as promptly as possible, and under a fixed time schedule.

DAY CARE CENTER REQUIREMENTS

Program Activities

We have adopted the suggestions of commenters who recommend that we require centers to plan activities which are developmentally appropriate for children regardless of their chronological age. We have not mandated a specific educational program for day care centers because we believe that it is important for day care centers caring for children in a variety of different communities to be free to design their programs to meet the individual needs and wishes of the children and families they serve.

Training

The Department agrees with the comments and research findings, particularly those in the National Day Care Study (NDCS), on the importance of specialized training for caregivers to quality day care. The Department has thus adopted a requirement in the final rule that all caregivers without a nationally recognized child development credential regularly participate in specialized training related to child care. One example of a nationally recognized credential is the Child Development Associate (CDA). The Regulation Guide will list others.

We have also adopted a requirement that State agencies establish and implement a statewide training plan for providing or purchasing specialized training for all caregivers.

The Department agrees with the commenters who argued that to ensure adequate protection of children in day care settings, new caregivers without previous experience or training need to have at least some training when they are first employed. Accordingly, we require a one week orientation session covering certain prescribed subjects for all newly hired caregivers. We have made the orientation period one week to ensure that it is adequate in scope. However, we do not require that it be carried out before the caregiver assumes caregiving duties, in recognition of the cost involved in such a requirement.

Nutrition

We have chosen to adopt the option specifying when meals and snacks must be provided and requiring that breakfast be provided at parent request.

Health and Safety

The final rule requires day care centers to have on record for each enrolled child, within 60 days of enrollment, a statement from a licensed health practitioner that the child has received a health assessment and all appropriate immunizations. This statement is not required for children whose parents object to the receipt of immunizations and health assessments on religious grounds.

The final rule requires centers to provide information to parents, as needed, concerning child health services available in the community. Centers must also assist parents in obtaining the needed services.

The final rule requires State agencies to provide information to each day care center about the availability of child health services in the community and about how the services may be obtained. State agencies are also required to make arrangements so that HEW funded children in day care centers who are eligible for publicly funded health services, such as those provided under Medicaid's EPSDT program or the title V Maternal and Child Health Program, receive those services when needed.

Physical Environment

We have adopted the suggestion that we address problems related to inadequate sanitation in child care facilities. The final requirement specifically directs State agencies in States without such standards to establish child care facility sanitation requirements and that day care centers caring for HEW funded children adhere to those standards.

Social Services

The final rule requires day care centers to provide information to parents, as needed, concerning social services available in the community and to refer parents to needed social services. The center is also required to assist parents in obtaining the needed services.

The final rule requires State agencies tc provide information to each day care center about the availability of social services in the community and about how the services may be obtained. It also requires State agencies to make arrangements to ensure that HEW funded children in day care centers who are eligible for Federal, State and locally funded social services receive those services when needed.

Parent Involvement

We have adopted the proposed rule and added the further requirements that centers inform parents about the day care program and its policies and that they give parents meaningful opportunities to participate in general program policy making.

Group Composition

The final rule requires the following group size limits and staff-child ratios.

	Group Size Based on Enrollment*	Group Size Based on Attendance
Birth to 2 years	6	6
2 years	12	12
3 to 6 years	18	16
6 to 10	16	14
10 to 14 years	20	18

	Staffing Requirement Enrollment*	Staffing Requirement Attendance
Birth to 2 years	1:3	1:3
2 years	1:4	1:4
3 to 6 years	1:9	1:8
6 to 10 years	1:16	1:14
10 to 14 years	1:20	1:18

* In each case the enrollment numbers are based on a 12% absentee rate and have been rounded off to the nearest whole number.

We have included several provisions to allow centers as much flexibility as possible to meet the staffing requirements in cost effective ways. The regulation will allow a center to arrange its staff for children two years of age and older on a centerwide basis. This means, for example, that a director could assign a caregiver assigned to care for three year olds to the two year old group as needed. The regulation will also permit centers to reassign infant caregivers during naptime. The Department believes that these provisions accord day care centers needed flexibility to adjust their staffing patterns in accordance with varying needs of the children in care. Under the requirement, children will not be left unattended. However, a center will not be penalized if staff are arranged based on the individual daily needs of the children.

Non-caregiving staff may be counted when they are providing direct care to children, and not performing their non-caregiving duties, if they participate in specialized child care training. Volunteers may be counted toward meeting the staffing requirements if they work 10 hours a week or more and participate in specialized child care training. By requiring that volunteers work 10 hours a week or more, we encourage consistency of care for the children.

Day care centers are required to meet the group size requirements at all times of the day, except during arrival and departure times, meals, naptime and special activities -- such as field trips and playground activities.

The final rule adopts the provision proposed for mixed age groups. When children are in mixed age groups, group size shall be based upon the age of the youngest child in the group. If children in the youngest age category make up less than twenty percent of the group, the group size for the next highest age category shall be required.

4. DAY CARE HOME REQUIREMENTS

The Department is issuing separate requirements for day care homes and has made some revisions to the proposed rules in order to be more responsive to the unique characteristics of home day care. We agree with those commenters who pointed out that home day care differs from center care in many respects. It is more informal than center care and is provided by individual women and men who take care of a few children in their own homes. (The average day care home cares for three or four children.) At the same time, we think that Federal requirements are needed to protect the health and safety of children receiving care in day care homes and to promote their normal development.

The final rule requires day care home providers to establish a daily program of activities for children. However, the activities plan need not be in writing.

All home caregivers must comply with the same training requirements as are required for caregivers in centers (see discussion above) and the State agency is required to make training available to all home caregivers.

The final rules for day care homes in the areas of health, safety, physical environment, social services, and parental involvement will remain the same as the proposals in these areas published in the Notice of Proposed Rulemaking.

The final nutrition rule for day care homes is the same as the center nutrition requirement. That is, homes are required to provide adequate and nutritious meals.

The group composition requirements will remain the same as proposed in the Notice of Proposed Rulemaking except that two additional school age children may be cared for in homes in which no infants are being cared for.

STATE AGENCY ADMINISTRATION

Monitoring

The final regulation will require that States visit the day care facilities in the State at least once every three years.

Rates of Payment

Like the proposed rule, the final regulation requires State agencies to take into account the costs associated with meeting HEW requirements in setting their day care payment rates. In addition, in the final regulation, we have adopted the suggestion that State agencies be required to make available to the public upon request the basis for their day care payment rates, and the procedures used in determining the rates.

State Advisory Council

The final rule requires that the State Agency have a Day care Advisory Council to advise on the implementation of the HEW day care requirements and that the Council include representation from parents of HEW funded children, day care centers and home providers and relevant public agencies. Many States have day care advisory councils and do not need to establish new ones as long as they have the representation mentioned.

State Agency Waiver

We have decided to allow State agencies to waive the staffing requirements in centers in which not more than 20% or 10 (whichever is lower) are HEW funded children. The waiver provision will allow State agencies the flexibility to place some children in centers not meeting HEW staffing rules where day care services would otherwise not be available.

Effective Date

All the requirements will take effect six months from their publication date except for the training requirement and the requirements that day care homes inform parents about and refer them to health and social services which will be effective April 1, 1981. We have allowed additional time for the new training requirement because we recognize that the States need extra time to develop their Statewide training plans, and to make training opportunities available to caregivers. We have allowed additional time for day care homes to meet the information and referral requirements in the health and

social services provisions to give these caregivers adequate time to learn about available resources and how to provide effective referral for parents of children in their care.

6. FINAL REGULATORY ANALYSIS

Very few comments were received which directly addressed the draft Regulatory Analysis. The most extensive critique was written by the Council of Wage and Price Stability (CWPS). While not agreeing with many of the conclusions of the CWPS, this analysis has tried to be responsive to its concerns.

The Group Composition Requirement is the most controversial and potentially expensive requirement. This addendum has attempted to present much more detail about that requirement than presented in the draft Regulatory Analysis. We also tried to correct, to the extent that available data allow, the limitations mentioned in the draft such as differences between profit and non-profit centers, and differences among States.

Even with these good intentions, we still are limited by the paucity of data concerning compliance with current regulations and State administrative expenditures. We must reemphasize that most of our figures are not as precise as implied by the presentation of point estimates, an approach we take simply for the convenience of the reader.

Even if we had precise, accurate data about the state of day care and its costs today, we would still be unable to predict precisely how States, facilities, and parents will react to our requirements. Moreover, there are a number of other factors, such as "tax revolts", inflation, unemployment, family philosophies, State procurement practices, etc., which join with Federal day care regulations to influence the day care market.

7. BUDGET REQUESTS

Since the NPRM and the draft Regulatory Analysis were published in June 1979, the Department has made several budget requests to OMB and the Congress. These requests are in part a result of the Regulatory Analysis.

We have requested an additional $29 million for FY 1981 for Title XX Training to facilitate the implementation of the training requirement. We have requested additional Federal staff, primarily for the Regional Offices, to support the HEW responsibility to provide technical assistance to States and facilities, to help disseminate material and information, and to monitor compliance of the new requirements. We have reallocated $6 million in FY 1980 and proposed that $9 million in FY 1981 funds be used to develop research and materials which will facilitate understanding and implementation of these regulations.

III HIGHLIGHTS

The proposed regulations apply directly to two modes of care--day care centers and family day care homes--financed through the Social Security Act. They also apply to the state agencies which administer social services and purchase child care. They affect, indirectly, other sources of services for these children, including the Medicaid program. The regulations do not cover most privately purchased day care, some Federally funded care, or in home care.

The proposed regulations cover many aspects of day care, including training of caregiver staff, grouping requirements, nutrition, health, and State enforcement. Each of these aspects involves distinct alternatives, and creates distinct costs and benefits, which are analyzed separately.

The most important cost and benefit impacts of the proposed regulations are presented below by contrasting the regulations to the present costs of partially enforced Title XX day care regulations and to a rigidly interpreted and fully enforced FIDCR.

Cost estimates were based for the most part on 1976-1977 data, and assume full implementation, which will not occur before fiscal year 1984. In this section when the dollar estimates are inflated to 1980 dollars (using a 1.35 inflation factor) they are shown in parentheses.1/

1/ As explained below, the 1.35 inflation factor is a rough estimate, showing what 1980 costs would be if 1977 practices had been continued with no change other than keeping up with overall inflation. In some States actual spending has undoubtedly increased less, and in others more, than this factor. We do not have current, 1980 data on either costs or enrollment.

Overall Conclusions

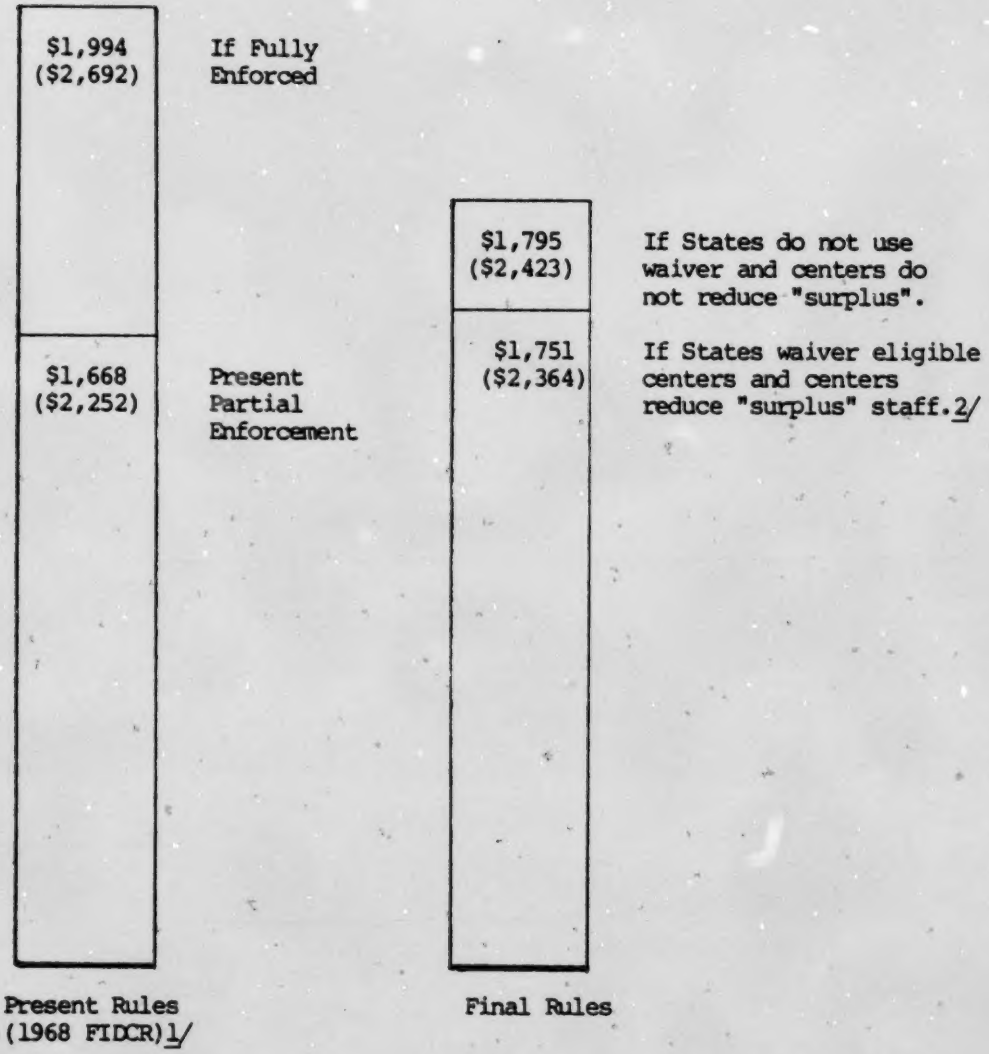
- Effects of the proposed regulations on children will be beneficial as compared to current practice, due primarily to the positive effects of caregiver training, to the absence of adverse effects from relaxing child-staff ratios, to early prevention and detection of potentially expensive health problems, and to the provision of needed health services.

- The proposed regulations are likely to result in costs which are about 5% higher, on average, than the base cost - an increase of perhaps $82 million ($111 million in 1980 dollars). The full cost of the changes in requirements will be phased over the next 3 years and will be felt at the earliest in FY 1984.

  The increases generally occur because of the assumption that all requirements will eventually be enforced more rigorously. However, the regulations will cost from two to three hundred million dollars less than the 1968 FIDCR, if they were strictly interpreted and fully enforced (See figure III-1 and Tables III - 1 & 2).

FIGURE 1

RANGE OF COST IMPACTS OF FINAL DAY CARE REGULATIONS
in 1977 (and 1980) Dollars
(dollars in millions)



1/ As amended by Title XX. Present enforcement includes moratorium on ratios.

2/ Assumes that waiver is used in all states, that all deficiencies are corrected, and that centers reduce by 33% "surplus" staff in excess of minimum requirements.

TABLE III-1

NET EFFECT OF FINAL REGULATION ON CENTER CARE
(1977 dollars in millions)

Item by Source of Funds	Base Costs 1/	Full Cost Change 2/
Primarily Provider Costs:		
Program of Activities	$ 24	$ -
Caregiver Training	6	-
Nutrition	96	+14
Health & Safety	6	-
Physical Environment	96	-
Social & Health Services Referral	28	+5
Parent Involvement	2	-
Grouping of Children	418	-8 to +15 3/
(Waiver)	-	-12
Administration	124	-
Subtotal	$800	- $1 to +22
Primarily Other Budgets:		
Caregiver Training	$ 15	+$10
State Overhead (monitor, TA, etc.)	75	+4
Health-all programs and private	149	+19
Social Services-all programs 4/	N/A	N/A
Federal Administration 5/	2	+3
Subtotal	$241	+36
GRAND TOTAL (1977 dollars)	$1,041	+35 to +58
(1980 dollars) 6/	1,405	+47 to +78

1/ "Base Costs" are our estimates for actual costs at the time data were gathered, which generally occurred during 1976-1977.

2/ "Steady State" cost increase estimate, which will not be reached until 1984.

3/ Range of estimates as to whether there will be net costs or savings. See discussion under "Group Composition", which describes assumptions about use of waivers and behavior of centers which have "surplus" staff.

4/ Demand and costs are of unknown magnitude.

5/ Unlike the other figures, these are 1980 dollars.

6/ Uses 1.35 inflation factor. Costs have not necessarily risen by this amount in all states, but no current, 1980 data exist. See discussion in Section V.

TABLE III-2

NET EFFECT OF FINAL REGULATION ON DAY CARE HOMES
(1977 dollars in millions)

Item by Source of Funds	Base Costs 1/	Full Cost Change 2/
Primarily Provider Costs:		
Program of Activities	$ 16	+$1
Caregiver Training	4	-
Nutrition	60	+10
Health & Safety	1	-
Physical Environment	50	-
Social & Health Services Referral	1	+1
Parent Involvement	1	-
Grouping of Children	319	-
Administration	48	-
Subtotal	$800	+$12
Primarily Other Budgets:		
Caregiver Training	$ 5	+$12
State Overhead (monitor, TA, etc.)	25	4
Health-all programs and private	96	+16
Social Services-all programs 3/	N/A	N/A
Federal Administration 4/	1	+3
Subtotal	$127	+$35
GRAND TOTAL (1977 dollars)	$627	+$47
(1980 dollars)	$846	+$63

1/ "Base Costs" are estimates for actual costs at the time data were thered, which generally occurred during 1976-1977.

2/ "Steady State" cost increase which will not be reached until 1984.

3/ Demand for these services resulting from day care referral is unknown, but may be substantial. However, the prime program providing the services, Title XX, is capped. Other programs could experience cost increases of unknown magnitude.

4/ Unlike the other figures, these are 1980 dollars.

- Most of the cost impact will not fall directly on day care provider budgets, but on other sources of health, training, and social services financing. The biggest single increase to other budgets is for health costs, about $35 million (1980 -- $47 million).

- Whether or not provider costs will go up or down will depend largely on state-by-state decisions, at state discretion. No State faces unavoidably major cost increases in reimbursements to providers.

Day Care Centers

- The cost base is about $800 million (1980 -- $1,080 annually, for 400,000 average child enrollment. If the 1968 FIDCR were strictly enforced, the base would be over $1 billion ($1.350 billion) annually.

- The group composition requirement could increase the staffing costs $24 million in the nearly 2000 centers which are estimated not to meet the final rule. Approximately $12 million of additional cost can be avoided if State agencies waive the requirements for centers that serve fewer than 20% or 10 Government funded children. About 6000 centers have many more caregivers than are required. These "surplus" caregivers are almost four times greater than the number needed in centers with deficiencies in the number of caregivers. If budget conscious States or center directors attempted to reduce costs in these centers, they could possibly reduce cost by an additional $10 to $32 million, completely off-setting the $24 million and, together with the use of waivers, saving up to $20 million compared to present staffing costs. There are some variations in the incidence of costs by regions and by type of center. Region VI (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas) is likely to have the greatest percentage cost increase, about 10% of planned expenditures or 4% if the States waive the staffing requirements in centers serving relatively few government funded children.

On average, for profit centers will have larger cost increases (or smaller potential cost savings). There are also 4500 centers (45%) not now serving government funded children that would be in compliance with these group composition requirements if these centers elected to serve these children. These group composition requirements, particularly the group size, are believed to have very important, beneficial effects on the children served. Although the final rule is less stringent, thus less costly than the 1968 FIDCR, it is believed to maintain the quality care intended by the FIDCR.

- Total cost of current training is about $15 to $20 million (mostly State funded, not in center budgets). The projected cost increase is about $10 million annually, due primarily to expected enforcement of the new requirement.

- Most children now receive needed health examination and services from other sources, notably EPSDT, Medicaid, Community Health Centers, and private fee physicians. The health services costs for these children (virtually none in center budgets) is now about $250 million. Enforcement of the proposed requirements is expected to increase costs about $20-$25 million for services to identify and treat health problems of children in centers currently eligible for, but not receiving, needed services. The proposal is about equal in cost to an enforced, 1968 FIDCR.

- Social services requirements do not require actual delivery services by centers. Assistance to parents in securing needed services (mostly for health services) will cost an increased $5-$10 million annually. Data limitations make it impossible to estimate any extra demand for and costs to social services and welfare systems which these requirements may generate (except for health services, given above). These costs could, however, be significant.

- For nutrition, full enforcement of the proposed requirement (which is the same as in the 1968 FIDCR) might add $4 million to the $100 million base for meals and snacks, concentrated in the small number of centers which do not now provide adequate meals. In addition, allowing parents to request that centers provide breakfast to their children would cost an additional $10 million in one-third of the centers which do not now provide this meal.

- For all other requirements, center cost increases or decreases are expected to be minor on a national basis. However, some providers may continue to face cost problems in complying with State and local facility and safety codes. These codes can, in a few cases, require expensive, one-time structural changes.

- The overall effect of the proposed requirements on center budgets is potentially significant. The national increase to center budgets could be about $20 million (exclusive of health and other cost increases not in provider budgets).

Day Care Homes

- The current day care home cost base is about $500 million ($675 million in 1980) annually for an average of about 150,000 subsidized and fee children and 100,000 children of caregivers. Only about half of the total cost is reimbursed. The remainder is, in effect, donated by care-givers and parents. The 1968 FIDCR, if enforced, would have cost about $100 million more than the current cost base.

- The proposed training requirement will increase costs by $12 million ($16 million) over an existing base of about $5 million. This is primarily an enforcement effect. For these higher costs, significantly higher benefits will be obtained.

- Health costs would increase by about $15 million ($20 million). This increase is paid by other public and private health systems, not by day care providers.

- Nutrition costs in family care will rise about $10 million to allow parents to request breakfast from these providers.

- Other cost increases and decreases are minor for family day care. Grouping requirements would not change significantly from either present practice or the 1968 FIDCR. Social services follow-up requirements are not proposed (this is the major differences between proposed center and family day care requirements).

- A special problem arises because current State reimbursement rates do not cover the full costs of providing regulated family care, where perhaps one-third of "economic" costs are not reimbursed. Although the proposed regulations do not directly address this problem, training and other requirements generating increased attention to this sector will likely affect current reimbursement practices.

- Finally, a small number of family day care providers will be unable to meet enforced physical facilities and other State-imposed requirements, depending entirely on what standards States set and enforce.

- Total cost increases to family day care provider budgets are small. Most cost increases will be felt in State agency training and program budgets.

State and Federal Administration for Both Center and Family Care

- The cost base for State administration is estimated at about $100 million ($135 million in 1980) annually, exclusive of training costs.

- Many states can implement and enforce these regulations with little or no cost increase. However, in 10-15 States, spending for technical assistance and monitoring, particularly for family day care, is quite limited. The proposed regulation will increase their costs by about $5-$10 million annually.

- Federal enforcement costs, including monitoring of States, may grow from less than $250,000 at present to about $7 to $9 million annually, for systematic enforcement and technical assistance.

Uncertain Effects

- A major uncertainty in estimating costs and benefits of the new regulation is the degree to which HEW and States will enforce the requirements, and whether adjustments in reimbursement rates will be made to compensate for the cost of meeting enforced requirements. This will be heavily dependent on State legislatures and their appropriation decisions.

- In drafting these regulations great effort was made to reduce ambiguity in the language and to eliminate unenforceable requirements, both major problems in the 1968 FIDCR. However, some degree of latitude in interpretation or enforceability remains in the areas of training, health, and social services. Cost (and benefits) estimates in those areas are correspondingly uncertain.

- Data on existing practices, and their costs, are of uneven quality. For example, the number of children now receiving breakfast and State/local administrative costs are unknown. As a consequence, predicting cost changes is difficult. Quantitative benefit data, with the major exception of grouping requirements, are also sparse.

- The full effect of recent and future inflation and changes in the minimum wage are unknown. Such effects may be substantial, but are largely independent of the specific requirements in the proposed regulations.

IV ANALYSIS OF PROVIDER REQUIREMENTS

1. GROUP COMPOSITION

a. Requirements

The requirements of the final regulations are displayed in Table IV-1 and compared with the 1968 FIDCR and the NPRM Options A and B. The final regulations are the same as Option A for children age four years and older. They contain slightly different age breaks for children younger than four. The ratios and group sizes are more stringent than Option A for children aged 0-24 months and 30-36 months but less stringent for children 36-48 months.

In addition to the ratio and group size limits the regulations present a number of details for their computation and enforcement; e.g., who to count (trained caregivers), what to count (scheduled enrolled hours or attendance), when requirements do not apply (group size does not apply at lunch time), etc.

b. Costs

The most important single factor affecting center costs is staffing. Staff salaries usually comprise at least 60% of center costs. Total costs, in turn, are heavily affected by staff/child ratio requirements. The draft Regulatory Analysis used a complex econometric model to estimate the costs of this requirement. This final analysis does not use that model, because of some unresolved analytic problems. This analysis employs a simpler, more direct method of cost estimation is used.

TABLE IV-1

MAXIMUM CHILDREN PER CAREGIVER (STAFF TO CHILD RATIO) 1/

Age of Child	Final Regulations	NPRM Proposals Option A	Option B	1976 FIDCR	No. of Children 2/
0-6 Weeks	1:3	1:4	1:5	1:1)	13,700
6 Wks. - 24 Mos.	1:3	1:4	1:5	1:4)	
24 - 30 Mos.	1:4	1:4	1:5	1:4)	30,500
30 - 36 Mos.	1:4	1:7	1:8	1:4)	
36 - 48 Mos.	1:9	1:7	1:8	1:5	89,300
48 - 60 Mos.	1:9	1:9	1:10	1:7	105,100
60 - 72 Mos.	1:9	1:9	1:10	1:7	77,100
6 - 10 Yrs.	1:16	1:16	1:18	1:15	37,600
10 - 14 Yrs.	1:20	1:20	State Option	1:20	4,400
					357,700

1/ Enrollment rather than attendance.

2/ Full-time equivalent, from National Day Care Study.

Like the draft analysis, this reanalysis uses data from the National Day Care Study (NDCS) obtained in 1976 and 1977 from a nationally representative sample of about 2500 centers, extrapolated to national totals. For each center we calculated the number of staff that would be required for each age grouping of children by dividing the total children by the required ratio. The sum of these calculations for all ages of children in the center equals the estimated required staff.[1/] The number of "deficit" or "surplus" staff is obtained by subtracting from that sum the number of caregiving staff reported. The deficit identifies centers that would have compliance difficulties. Such centers would have several choices -- hire more staff, reduce the number of children served, change the age mix of chilren served, or refuse to serve Federally funded children. Centers with surplus staff can either operate unchanged, enroll more children (at some additional cost), or redeploy (or reduce) staff.

The Department can estimate the number of centers, staff, and children in a deficit or surplus status with reasonable confidence, but we are unable to predict how centers and state administrators will react to enforcement of the new regulation.

1/ This analysis assumes that the age distribution within federally funded centers has remained constant. While this may not be true, we do not know how the distribution is changing, although there are some indications that percentages of children under 3 and over 6 are increasing.

This inability to make such predictions is the source of one of the major concerns expressed about the analysis of child-staff ratio costs contained in the draft Regulatory Analysis. For example, the Council on Wage and Price Stability (CWPS) questioned whether centers that have "voluntarily" overstaffed by exceeding State and Federal minimums would actually reduce staffing; or whether centers that currently meet more stringent staffing requirements would reduce staffing to reflect the new, less stringent requirements.

We do not agree entirely with the conclusion of the CWSP comment -- for one thing, "overstaffing" is not purely voluntary in view of the 1968 FIDCR and the explicitly temporary moratorium on its enforcement. However, we do agree that a range of outcomes is possible. Accordingly, we have now calculated and presented the data to display required increases and potential decreases separately, without attempting to predict precise responses.

Table IV-2 shows the result of the revised analysis. It applies the final regulation to the operations of the sample of centers, extrapolated to national totals. It shows that there are about 1,970 centers (including those that could have the staffing requirements waived because they serve fewer than 20% (or 10) government funded children) which would need to add staff -- in total 4,105 caregivers -- and about 6,088 (75% of the total) centers that have sufficient staff to meet the requirements. These latter centers have about 4 times more "surplus" staff (16,318 FTE) than the minimum needed in under-compliance centers.

TABLE IV-2

COMPARISON OF POTENTIAL COSTS AND SAVINGS FOR REGULATION OPTIONS:
CHILD TO STAFF RATIO REQUIREMENTS
(1977 dollars)

Centers serving Government Funded Children 1/	Change from 1976 Practice: Final Reg.	Option A	Option B	1968 FIDCR	Actual 1976
Number of Centers					8,058
- FTE Children (000) 2/					359
- FTE Caregivers (000) 2/					58
Salary Costs (millions)					$440
Centers in Compliance	6,088	6,085	6,745	5,473	
% of Centers in Compliance	75%	75%	84%	67%	
Staff above minimum	16,318	16,041	19,948	12,496	
Children served (000)	254	251	285	216	
% of Children in Complying Centers	75%	70%	80%	60%	
Salaries above Minimum—Potential Savings (millions)	$97	$95	$119	$74	
Centers Not in Compliance	1,970	1,973	1,313	2,623	
Children Served (000)	105	108	74	143	
Additional Staff Needed Without Waiver	4,105	3,336	1,838	5,529	
Additional Staff Needed Using Waiver	2,105	1,607	872	2,800	
Salaries of Additional Staff Needed Without Waiver (millions)	$24	$20	$11	$33	
Salaries of Additonal Staff Needed Using Waiver (millions)	$12	NA	NA	NA	

SOURCE: Special computer runs from National Day Care Study.

1/ For additional analysis of profit and non-profit centers, as well as non-subsidized centers, see section below on effects by Center Type (Profit/Non-Profit).

2/ FTE - full-time equivalent 40 hours per week

Assuming that staff were hired to fill the deficit, and that States used waivers, but that no additional savings were taken, it would cost about $12 million at 1977 prices to meet the fiscal requirement. If waivers were not used it would cost about $24.5 million at FY 1977 prices to meet the final requirement.[1/] Alternatively, assuming no use of the waiver but that "surplus" centers reduced staff by one-fourth, there would be no net cost, with savings and increases exactly offsetting. This latter result is roughly that projected earlier by the econometric model, and explains why Option A of the NPRM (virtually identical to the final rule) was estimated to create a $2 million savings--i.e., break even. Finally, if all "surplus" centers took the full "savings" through staff attrition, and all deficient centers met the requirement by changing the age mix of children served, the net effect of the final rule would be to reduce day care costs by about $97 million (FY 1977 prices). The Department does not believe either of the extremes to be likely.

For purposes of display (see summary Table III-1 above), we have made two alternative projections, each assuming that (a) neither surplus nor deficit centers will change the age mix of children served, and (b) that ratios will be enforced.

1/ Average aide rate ($2.59 per hour) with 15% fringe benefit ($2.98) - 1976 Supply Study. 1980 costs use 1.35 inflation factor. See section V.2. Rates of Reimbursement for discussion of inflation factor. Annual wages of $5957 (FY 1977) and $8042 (FY 1980) were used in these calculations.

The high projection assumes that the entire $24 million deficit will be met through new hiring, partially offset by a nominal 10% ($9.7 million) decrease taken by surplus centers, for a cost increase nationally of $15 million ($20 million in 1980 dollars), prior to exercise of the waiver. The low projection assumes that fully one-third of all potential savings will be realized, with this $32 million saving more than offsetting the same $24 million deficit, for a net cost decrease of $8 million ($11 million in 1980 dollars) prior to exercise of waivers.

Under both projections, there would be a savings of $12 million if all states exercised a waiver for centers with small numbers of FFP children. With waivers, the high projection becomes $3 million, and the low projection creates a cost decrease of $20 million.1/

These estimates bracket a "reasonable range" of center and State responses. We cannot provide any precise justification for this particular range calculation. However, in view of the rapid increase in costs which centers face, a state which simply left its reimbursement rates unchanged over a one-year period would place great pressure on the centers to reduce costs. With substantial turnover in center staff, simple attrition would allow centers to achieve savings, and at least some centers in some states would undoubtedly use this "opportunity" to maintain solvency by reducing staffing not needed to satisfy regulatory requirements.

1/ In Section V we show that the waiver provision could allow States to reduce the $24 million increase in costs by $12 million ($16 in 1980 dollars).

Within this overall range, there are differential impacts by type and location of center. To display differential impacts, various cost scenarios can be considered. We have chosen to present two in the analysis below: (a) an unlikely "worst case" in which all deficit centers in each state are forced up to compliance with no change in the other centers and no use of waivers, and (b) a more likely "state efficiency case " assuming that budget and cost conscious states will exercise administrative actions to purchase care from centers that are not below compliance, nor significantly (more than one-third) staffed above the minimum, as well as exercise waivers. However, these two cases do not exhaust the range of possible impacts, representing only the high and middle portions of the range.1/

Regional Effects

The potential cost increase of $24.5 million for deficit centers represents about 3.6% of the estimated Title XX day care expenditures ($684 million) in FY 1977. Table IV-3 presents the additional staff and costs for the 10 HEW Regions. The regulations would have the greatest potential impact on Region VI (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas). In these States, additional staff would cost about $5.5 million and represent almost 10% of the planned 1977 day care expenditures. Region V faces the next largest deficit, $5.4 million (5.8%). It is followed by Region IV in dollars ($4.3 million) and Region X in percentage of budget (4.8%).

1/ A third possibility would be (c) an unlikely "perfect frugality" case in which all possible savings, about $100 million, were taken.

TABLE IV-3

COSTS AND SAVINGS OF ALTERNATIVE CHOICES TO MEET STAFFING REQUIREMENTS BY REGION 1/
(1977 dollars in millions)

Region (Headquarters City)	1977 Planned Expenditures 1/	Cost (Savings) if States and Centers: 2/ Do Not Use Waivers 3/	Use Waivers 4/	Use Waiver and Reduce "Surplus"
I (Boston)	$ 51.2	+$ 0.6	+$ 0.4	-$ 1.7
II (New York City)	145.2	+ 0.3	+ 0.1	- 5.0
III (Philadelphia)	69.3	+ 1.5	+ 1.0	- 1.7
IV (Atlanta)	96.6	+ 4.3	+ 1.8	- 5.9
V (Chicago)	94.2	+ 5.4	+ 3.3	- 1.0
VI (Dallas)	58.1	+ 5.5	+ 2.5	- 0.3
VII (Kansas City)	24.6	+ 1.1	+ 0.4	- 1.1
VIII (Denver)	15.8	+ 0.7	+ 0.3	- 0.3
IX (San Francisco)	101.2	+ 3.9	+ 1.9	- 1.5
X (Seattle)	21.8	+ 1.1	+ 0.7	- 0.9
TOTAL (dollars)	$684.0	+$ 24.5	+$ 12.4	-$ 19.4
(staff)	N/A	+ 4,105	+ 2,103	- 3,288

1/ FY 1977 Title XX Social Service Plan planned day care expenditures.

2/ Costs are in millions and estimated at an average cost per caregiver of $2.59 per hour times 1.15 adjustment for fringe benefits for 2000 hour work year, equalling $5957 per year.

3/ States do not exercise choice to waive requirements for centers with less than 20% (or 10) government funded children. See Section V.

4/ States use waiver for all eligible centers.

5/ States use waiver and centers reduce by one-third "surplus" staff in excess of requirements.

However, all states can reduce costs, through such actions as granting waivers and by not reimbursing centers for staffing greatly above the required levels. As Table IV-3 also shows, exercise of the waiver alone could reduce cost increases required in Region VI to $2.5 million. Policies to encourage "surplus" centers to reduce excess staff could, together with use of waivers, lead to an overall cost savings of $20 million, with no regions requiring net hiring of additional staff. This "state efficiency" case does not represent maximum potential savings, but does represent a cost reducing outcome in which the minimum requirements are met in all centers serving predominantly FFP children, with a majority of centers still exceeding minimum staffing requirements.

State Effects

Table IV-4 displays estimates of States which have the largest numbers of staff needed to bring deficit centers into compliance with the regulation, together with the lesser increase required if the waiver is exercised, and the even smaller increase (usually a decrease) required it surplus staffing is reduced by one-third. Michigan (406) and Texas (404) followed by Oklahoma (339) would need to add the most caregivers, if they chose not to exercise the waiver, but all of these states could reduce cost if they chose to follow the "state efficiency" approach.

TABLE IV-4

COSTS AND SAVINGS OF ALTERNATIVE CHOICES TO MEET STAFFING REQUIREMENTS: SELECTED STATES 1/

States	Planned Expenditures 2/	Cost (Savings) if States and Centers: Do Not Use Waivers 3/	Use Waivers 4/	Use Waiver and Reduce "Surplus" 5/
Michigan	$ 32.9	+$ 2.4 (10)	$ *	+$ 1.4 (15)
Texas	33.6	+ 2.4 (16)	*	- 0.7 (24)
Oklahoma	8.0	+ 2.0 (13)	*	+ 0.7 (21)
California	109.9	+ 1.7 (14)	*	- 2.0 (58)
Florida	18.8	+ 1.4 (11)	+ 1.2 (10)	+ 0.9 (20)
Illinois	54.8	+ 1.4 (18)	*	- 1.2 (36)
All Other States	426.0	+ 13.2 (147)	+ 6.2 (74)	- 18.5 (747)
TOTAL	$684.0	+$ 24.5 (229)	+$ 12.4 (114)	-$ 19.4 (921)

1/ States selected had the largest number of sample centers with staffing deficits. The table only displays states with at least 10 deficit centers in the sample (total numbers of centers interviewed for the study in each state is larger). These estimates are subject to large sampling errors and must be read with caution. Sample sizes are shown in parentheses. Sample sizes less than 10 are shown by an asterisk (*).

2/ FY 1977 Title XX Social Services Plan: planned day care expenditures.

3/ States do not exercise choice to waive requirements for centers with fewer than 20% (or 10) government funded children.

4/ States use waiver for all eligible centers.

5/ States use waiver and centers reduce by one-third staff in excess of requirements. A negative number means that cost savings are possible.

As the table shows, all states could substantially mitigate the impact of the new staffing requirements, and most states could completely offset them and achieve savings.

Small sample sizes for most states make it difficult (or impossible) to reliably estimate the staff deficit or the relative budgetary impact which particular states might expect.

Effects by Center Type (Profit/Non-Profit)

The legal status of centers (profit/nonprofit) is a significant variable in analyzing the data on expected regulatory compliance. Approximately 75% of the centers serving Federally financed children are non-profit centers. Over 80% of these centers are in compliance with the staffing requirements. (See Table IV-5.) However, less than one-half of the profit centers serving subsidized children would be in compliance with required staffing. (The profit centers that are in compliance have significantly smaller enrollments, about 33 FTE children, than do those which are not in compliance, about 52 FTE children.)

By Region, Region VI (Dallas) has the most significant problem--70% of profit centers serving FFP children would be out of compliance. It is followed by Regions V (Chicago) and III

TABLE IV-5

COMPLIANCE WITH STAFFING REQUIREMENTS BY PROFIT AND NON-PROFIT CENTERS FOR CENTERS SERVING AND NOT SERVING SUBSIDIZED CHILDREN

		Not in Compliance		In Compliance	
		Centers	FTE Children (000)	Centers	FTE Children (000)
Serving Some Government Funded Children 1/					
Non-Waiverable 2/	(Profit	378	17	487	17
	(Non-Profit	544	30	4,316	189
Waiverable 3/	(Profit	597	34	342	11
	(Non-Profit	356	19	697	29
Serving No Government Funded Children 4/					
	Profit	3,454	162	2,191	55
	Non-Profit	2,309	136	2,535	86
TOTAL		7,637	397	10,570	387

1/ Currently regulated.

2/ Not eligible for waiver.

3/ Could be eligible for waiver because serving less than 20% (or 10) government funded children.

4/ Not covered by these regulations unless they elect to serve government-funded children.

By region, Region VI (Dallas) has the most significant problem - 70% of profit centers serving FFP children would be out of compliance. It is followed by Regions V (Chicago) and III (Philadelphia) which would have almost 59% of profit centers serving subsidized children, out of compliance. At the other extreme is Region II (New York) which would have only 19% of its profit centers with staffing problems.

We also see from the same table that almost 60% of the profit centers that have staff deficiences serve small numbers of government funded children and probably could have the staffing requirements (but not other requirements) waived, if the state so decided.

Analysis by Age of Child

All the estimates above assume that centers do not adjust to these requirements by changing the age mix of children they serve. A center serving all two year olds requires more than twice as many staff as one serving all three-year olds (see Table IV-1). At present only about 14% of all children served are below 36 months old, reflecting a variety of influences including the effect of the 1968 FIDCR-required ratio on costs, parental choice, and State reimbursement rates (see section on Rates of Reimbursement below).

Small differences in the ratios for the younger children can have significant cost consequences. For example, a 3:1 instead of a 4:1 ratio requires 25% more staff for the same number of children.

We see this effect when we compare the final regulation to the NPRM Option A. Option A was less stringent for the age ranges of 0-24 months and 30-36 months. There were about 30,000 children in FFP centers in these age ranges. Option A was more stringent in the age range of 36-48 months. There were about 90,000 children in that age range. Yet, the final regulation requires slightly more staff than Option A, because the younger children are provided a one-third increase in staff, and the greater number of slightly older children somewhat less than a one-third decrease.

A potentially unfortunate effect of the ratios is the large differential between the ratio for 2 year olds (4:1) and 3 year olds (9:1). Many centers have children in the 24-48 month age range grouped together. Under the new rules, a center director will be faced with difficult choices: if more than 20% of the children are under 36 months the director must maintain a group size of no larger than 12 children; if fewer than 20% of the children in the group are under 36 months old the director can put them in a group of 18 children where they may not get enough adult attention or which may be too stimulating for them; the director can try to divide them into two groups or decide not to serve the younger children because of cost.

The Department was aware of these problems and explored several options. For example, we considered raising the ratio for two year olds and lowering it for 3 year olds. Generally, the final rule was chosen as the best choice based on the trade-off of protecting children, minimizing costs, reducing negative

supply responses, and wanting to have as few age groupings and ratios as possible.

Supply of Care for Infants and Toddlers

A number of people have expressed a legitimate concern about the supply of day care for infants and toddlers. Since centers are limited to a 3:1 ratio and day care homes are only allowed to take two or three children under age two, centers may decide to serve older children. This could occur at the very time when the number of younger children needing day care is increasing. The Department studied this issue very carefully and found very little data which would help it predict what might be the supply response to the group composition requirement for the infant/toddler. In the end, HEW decided it was better to err on the side of caution than on the side of cost reductions in meeting the needs of these most vulnerable children.

c. Comparison to Centers not Serving Subsidized Children

The regulations cover only about 44% of the more than 18,000 day care centers in the country. The other centers could decide to accept government funded children. Table IV-5 also shows that there are about 4,500 centers which did not serve Federally financed children that would be able to meet these staffing regulations, if the regulations applied. These centers have 6,780 staff in excess of these staffing requirements. These centers

could serve an additional 61,000 three to five year old children and still be in compliance with the final requirements. However, slightly more than half (5,700) of all centers not covered by Federal regulations would not be able to meet the final rule without staffing changes (but see analysis of waivers below). Nonetheless, these data show that the final rule, though tighter than the average present practice of unregulated centers, is not so different that it would create a "two-tier" market in most states by driving a major wedge between centers primarily enrolling welfare children and those enrolling only private pay children.

d. Scheduled Enrollment Versus Attendance

One of the more controversial technical issues associated with the group composition requirements is whether attendance or enrollment figures should be used to calculate compliance. Nationally, an average of 10 to 15 percent of the enrolled children are absent each day. (The NDCS found a 12 percent absence rate.)

The requirements have been adjusted for a 12 percent absence rate. States are given the option to monitor and reimburse on either basis. When the absence rates in a center are close to the national average of 12 percent, it should be immaterial which is used. Each method has its strong and weak points. Enrollment is more predictable, generally easier to monitor, and generally provides a staffing cushion over the minimum (which may sometimes be more expensive). Attendance allows large centers to enroll

over licensed capacity, thereby providing more income, as it will less often lead to excess staff, but being less predictable requires increased use of substitutes or non-caregivers in the classroom. Because the strong and weak points tended to balance, the Department decided to leave the choice to the State. We do not believe that this choice will have a significant effect on costs, one way or the other.

2. Health and Safety of Children in Care

a. Requirements

The Health and Safety section of the final rule requires that within sixty days of enrollment each child enrolled in day care centers and family homes participating in Title XX have on file a statement from a licensed health practitioner that the child has received a health examination or assessment and immunization which: 1) meets minimum American Academy of Pediatrics (AAP) or EPSDT standards; 2) is updated according to prescribed periodicity schedules; and 3) indicates any special health or dietary precautions. In addition, centers are required to refer parents to local health providers, if necessary, to obtain examinations. The final rule is virtually unchanged from the NPRM version.

b. Earlier Estimate

Our original estimate of the cost of this option--an increase of $35 million over the current $250 million for medical and dental services to these children--was obtained by calculating that there were approximately 1 million affected children each year, 600,000 of whom attended centers and 400,000 of whom attended family homes. (We assumed that every two places or "slots" in a center or home accommodated approximately three children on average over the course of a year). Medical and dental care averages nationally about $250 per child per year, and studies indicate that 90% of children in centers already were receiving annual examinations. We estimated that perhaps 60% of the children in day care homes also received annual examinations, based on the figure that 75% of all poor children had received an exam within the last year (from the Health Interview Survey). We then estimated from EPSDT data that an assessment which met the highest standards would cost $30 rather than the $20 of a "routine physical", and we also made estimates of increased treatment costs and of increased dental costs from Head Start and EPSDT experience. The effect of the recommended periodicity schedule calls for more frequent examinations for children under age two and less frequent examinations over age two than a requirement for an annual examination would.

The costs for examinations and treatment that children in day care centers and homes were estimated to already be receiving was then subtracted from our estimate of increased costs due to periodicity, and the new standards.

c. Reestimate

We have not changed our estimate of the projected costs of the health and safety section of the FIDCR from $35 million, of which $19 million is for center children and $16 million for family care children. We have however, reexamined our estimates and wish to note changes in three factors, the net effects of which offset each other.

First, our original estimate assumed an even age distribution of children in day care centers. We have now adjusted for the known age distribution, which shows that 85% of children in day care centers are between the ages of two and six. This has two effects: 1) costs for screening and subsequent treatment are lowered because the periodicity schedule recommended by the American Academy of Pediatrics and by EPSDT calls for only three assessments between these ages; 2) costs for dental screening and treatment are increased because three to six year olds require dental screening where children under three do not.

The increase in dental costs outweighs the decrease in screening and treatment costs by approximately $10 million.

Second, we further reasoned that not all potential dental costs would in fact be incurred. Current EPSDT experience indicates that their referral rates for dental care run approximately 25% even though 90% of EPSDT children are known to have dental problems. Moreover, as noted in our original analysis, the requirement of the

day care regulation allows great latitude in the area of dental care. The American Academy of Pediatrics Standards clearly indicate that a child should receive an initial visit to a dentist at age three and a follow-up visit at least every twelve months thereafter. However, the doctor is not required to assure that the child actually receives dental care when completing the statement that the center will have on file, nor is there any separate requirement for statements from dentists. Accordingly, we now believe that the appropriate basis for estimating dental costs is to assume that there will be a case finding effect due to physicians and other practitioners encouraging dental visits, rather than assuming all children will in fact receive dental services. We estimate that 70% of the recommended dental examinations for children will in fact be obtained. This assumption lowers our estimate of increased costs by $9.5 million.

Third, we have readjusted downward our estimate of what an examination that meets American Academy of Pediatric Standards would cost. We originally estimated the costs of a routine physical at $20 and the costs of an EPSDT assessment or an assessment meeting AAP standards at $30. Although our estimates of the increased costs of an EPSDT exam have not changed, we now estimate an exam meeting AAP standards to cost $25 for the following reasons. The Standards of Child Health published by the American Academy of Pediatrics give pediatricians considerable flexibility to use professional judgment. Physicians are not required to perform a particular set

of tests, as in EPSDT. Therefore, private physicians who examine day care children would do so in a manner that does not vary significantly from their current practice (which is already governed by the AAP standards), and some but not all of the tests suggested by the AAP would result. Indeed, the AAP Standards of Child Health Care state "that physicians may modify some of the procedures listed here in accordance with their training and (children's) personal needs." Audiometric testing, for example, although recommended for three year olds, need not be performed until age six to meet the recommended guidelines (p.14). Therefore, the costs of these examinations would fall somewhere between the $20 of a routine office visit and the $30 of the EPSDT screen.

The recalculation for the portion of screening costs that are assumed to be borne out of pocket by parents (reestimated below to be between 40-50%) paid to private physicians yields an additional saving of $.5 million. As noted above, the net effect of these three changes is zero.

d. Payment Sources

Although our estimate of total cost increase remains unchanged, we have adjusted downward by 10% our estimate that 50% of the base and increased costs of the health and safety section of the day care regulation would be borne by Medicaid. Our original estimate assumed that 70% of Title XX children are Medicaid

eligible and 60% of the children in centers affected by this regulation are Title XX eligible and 40% are private pay. We further assumed that the percentage of private pays was the same in day care homes as in centers. Multiplying 70% by 60% yielded a minimum Medicaid coverage of 42% which we assumed would be increased to 50% by passage of CHAP. We now estimate that only 40% of the children in day care homes are Title XX eligible (an additional 20% are private pay clients and the remaining 40 % are the private pay children of the caregivers in the family day care home). Available data indicate that children of caregivers in the family day care homes are not usually eligible for AFDC.

Therefore, only 50% (not 60%) of all children affected by the regulation are estimated to be Title XX eligible and multiplying 70% by 50% yields a base of 35% Medicaid eligible. We have increased this estimate to 40% assuming the passage of CHAP. This means that $10 million of the cost increase will be paid through medicaid and $15 million through public health programs and private payment. Although public programs provide a relatively small proportion of total child health care, these programs (such as Title V, and Community Health Centers) emphasize provision of examinations and related services, and are widely available to day care children, with cost-sharing related to income.

3. Training for caregivers

a. Requirements

The final requirement is similar to the more stringent option of the NPRM, although it is more flexible. It requires, for

example, that all newly hired staff must participate in a one week orientation which may occur on-the-job, whereas the NPRM called for orientation prior to beginning work.

The central requirement, reflecting considerable evidence as to the positive effects of staff training on child development (see draft regulatory analysis), is that all staff be trained. States are required to plan for, either provide or finance, and assure that all caregivers receive training in such subjects as child development, nutrition, and safety. However, only caregivers without a nationally recognized child development credential appropriate to to the age of children cared for by the caregivers must regularly participate in this specialized caregiver training beginning April 1, 1981 or within 6 months of employment after that date. The remainder may participate voluntarily.

b. Costs

The training increase projected in the draft regulatory analysis will remain approximately the same. This means a $10 million increase in (primarily) title XX training money for centers and a $12 million increase for family day care providers.[1/] This increase could be slightly less under the final rule since staff with certain child related education credentials are not required (but may elect) to participate in the regular training.

1/ These increases are the dollars needed for training over and above the title XX training dollars HEW estimates may now be spent on day care related training. These are only estimates since title XX training cost reports do not identify day care training separately.

1. Orientation

The orientation now proposed should be less costly than the orientation proposed in the NPRM even though a week long orientation is now specified for all newly hired caregivers, whereas our previous estimates were based on an orientation of one day for only those caregivers with no prior child care experience. The reason for this is: 1) that caregivers can now receive the orientation on the job (they are to be counted in the staff/child ratios) and therefore no substitutes need be hired, and 2) the training can in all likelihood be offered by the center director because it deals with center procedures rather than requiring a special trainer to help prepare caregivers to work effectively with children in a group. The requirements do not define how much time each day should be devoted to orientation. It is possible then that a director will work with the new caregiver(s) for an hour each day carefully supervising this person(s) the rest of the day for a period of one week. This could all be done as part of the director's present duties and at no additional cost.

ii. Specialized Caregiver Training

The original cost estimates for the high option training were based on an estimate of $300 per trainee for all 80,000 1/ caregivers in centers serving FFP children and some 50,000 family caregivers. This equaled about $39 million per year (of this $24 million was for centers) or a cost of $60 per child.

If we were to estimate that only caregivers without the proper age appropriate child related credentials took training we would find the following:

Using data from the National Day Care Study, it can be safely estimated that approximately 40% of caregiving staff (from aides to assistant directors) have an advanced degree beyond high school. Many of these degrees are elementary or secondary education credentials. The relevance of these credentials in non school settings in which the children are predominately under age 6 could be questioned. However, the data shows that as many as 20% hold a preschool education or child related training credential which should be appropriate for those working with children 3-6 years old. There are also individuals working in day care with a Child Development Associates credential, which will be recognized. However, there are presently only 6,000 people holding such a credential and 65% of them are working in Head Start. This leaves only 2,000 available for day care and many of these may have been counted in the 20% figure cited previously.

1/ Total caregivers delivering care which is a larger number than the number of full-time equivalents shown in chart IV - 2.

In any case 2,000 individuals is a small number relative to the 80,000 working in centers presently. Thus at most we can reduce the center training estimate by 20% to approximately $19 million (from $24 million). However, since States must make this training available to all caregivers, this reduction is unlikely.

The likelihood of family day care providers having appropriate child related credentials is less than for center caregivers. Only 24 percent have some college. It can be speculated that of this group those who completed a two or four year college program have at best an elementary or secondary education credential which does not prepare an individual to work with very young children and infants. The likelihood of savings in family day care training over the previous estimate is slight.

Only 15 states have any substantial child related entry level requirements regarding the entry level qualifications of day care staff (directors, lead teachers, teachers and aides). The maximum required in the majority States is that caregivers be of a minimum age, be able to read and write and in some cases have a high school degree and have previous experience working with children. This further substantiates the hypothesis used in this analysis that the majority of caregivers will need training.

Furthermore, it should be noted that surveys, evaluation studies and public comment received on the NPRM reveal a very high interest in caregiver training. Many who hold appropriate credentials feel their skills need to be upgraded or refreshed. There is a high

probability that these individuals will participate in training since it is required that States make it available. Also, it is up to the states to devise a training plan sufficiently flexible to meet the full range of needs among caregivers. As the requirements do not specify hours, states may offer a range of training programs with varying degrees of intensity. Those requiring the most hours could be more costly than our estimate of $300 per trainee. Thus savings we might project could be wiped out by these state efforts.

Therefore we conclude that the high option cost estimates offered in the last analysis remain appropriate now.

c. Benefits

There is no need to repeat here a description of the benefits identified in the previous analysis. It is important to note that the public comment received on the NPRM overwhelmingly endorsed caregiver training as the means of maintaining or improving the quality of care children are receiving.

4. OTHER PROVIDER REQUIREMENTS

Parent Involvement

The parent involvement provision for centers has added the requirement that parents must be given a meaningful opportunity to participate in program policymaking. We do not believe that this change will measurably increase costs. NDCS data indicate that 15 to 20 percent of profit and 75 to 80 percent of non-profit centers serving government funded children already have such activities. Therefore, only about 3000 centers might need to add more parent

involvement activities. Even if the director and three other staff members put in their time for two hours for an evening meeting six times a year and were paid their annual salaries, this would add only $500,000 to total day care center budgets. More realistically, the requirement will merely formalize, and change in quality, time already spent with parents.

Some people have expressed the concern that for-profit center owners may object to this requirement as an infringement on their prerogatives. The Department does not intend that this requirement infringe on their right to make employment or fiscal decisions. Furthermore, some proprietary operators are finding parent groups quite helpful to them in planning their children's programs and in situations where they are having disagreements with local or State government agencies.

This added provision is not expected to add a significant burden nor restrict the supply of day care.

Breakfast

The final rule adopts the requirement that breakfast must be provided to children whose parents request it (NPRM - high option). HEW does not intend this provision to mean that parents can ask for breakfast some days but not others. Generally, parents would specify upon enrollment whether their children required breakfast. If circumstances change, parents could revise their request. Presumably, the involvement activities reimbursement

rates will be different if breakfast is or is not provided. The draft Regulatory Analysis estimated this provision could cost an additional $12 million dollars - $7 million for centers and $5 million for day care homes. This is $16 million in 1980 dollars ($9 million for centers and $7 million for day care homes.)

Health and Social Services Referral

The final rule requires centers and day care homes to assist parents in obtaining the needed health and social services. This requirement is comparable to the NPRM high option which was estimated to add $6 million - $5 million in centers and $1 million in day care homes. (This is $8 million in 1980 dollars.)

We must emphasize that health professionals firmly believe that investments in preventive medicine (immunizations and health assessments) save many more dollars (and prevent future suffering) in the long run. We know of no study that quantifies these benefits in dollar terms, but we believe that the investment (additional costs) in referral, health assessments, immunizations, and early treatment reap larger future dividends which are not shown in this analysis as an off-set to the added cost of these requirements.

V ANALYSIS OF STATE AGENCY REQUIREMENTS

1. Waiver

a. Requirement

The final regulation allows the State agency to waive the staffing requirements for a center serving no more than 10 children or 20% of the children (whichever is less) whose care is paid for by Federal funds.

b. Cost

The figures and costs discussed in the Group Composition section were based on all centers serving Federally funded children, regardless of whether they would be eligible for waivers or not. There are about 1,001 non-complying centers (of the 1,970 centers) that could have the staffing requirements waived. These centers served an estimated 55,000 children. Table V-1 shows the staffing needed to meet the regulation with (2,105) and without (4,105) the waiver. About 2,000 fewer staff, would be needed, at a savings of about $12.0 million, if State agencies exercise the waiver.

Table V-1 shows the difference between the straight 10% waiver and the present Title XX waiver (20% or 5 FFP children whichever is less). More centers are waived and fewer staff are required to meet the regulations under the 10% waiver. At first this seems paradoxical. However, if we remember from earlier discussions that the large centers are more likely to have compliance problems; we realize that it is not the percentage figure which dominates, but the number of FFP children.

TABLE V-1

IMPACT OF WAIVER ON REDUCING STAFFING REQUIREMENTS AT "DEFICIT" CENTERS

Staff Needed by Type of Waiver	Additional Required Under: Final Regulations	Option A	Option B	1968 FIDCR
Do not use waiver	4,105	3,336	1,838	5,529
10% FFP	2,608	2,018	1,100	3,506
20% or 5 FFP Child (Title XX Waiver)	2,994	2,376	1,285	3,976
20% or 10 Child FFP (Final Rule)	2,105	1,607	872	2,800
Costs (millions) by Type of Waiver				
Do not use waiver	$24.5	$19.8	$10.9	$32.9
10% FFP	15.5	12.0	6.6	20.9
20% or 5 FFP Child (Title XX Waiver)	17.8	14.2	7.7	23.7
20% or 10 FFP Child (Final Rule)	12.5	9.6	5.2	16.7

The average center enrollment is 50 children. Consequently, five FFP children in larger centers is less than 10%. This effectively lowers the waiver percentage. By raising the minimum number of FFP children from 5 to 10 in the final rule the impact of the waiver requirement is increased.

States vary considerably concerning the average percent of private enrollment in centers receiving Federal funding. Percentages range from 79% in Idaho; 71% in Indiana to 3% in Maine and 8% in Alabama. (See Table V-2.) States with the highest percentages of private enrollment also have the highest percent of waiver-eligible centers. These States also tend to be States expected to have more serious problems in complying with the staffing requirements. In that sense, the waiver can help mitigate some of the more negative cost or supply effects of immediately enforcing the staffing requirements. On the other hand, the States with the most waiver-eligible centers also have higher child staff ratio licensing provisions. As a result, children in these centers will be exposed to higher ratios and potentially less adequate care.

The potential impact of the waiver is also seen when we look at the present centers with staff deficits which would be waiver-eligible. Slightly over half (51%) of these centers would be eligible for the waiver. Due to very small sample sizes it is unwise to look at state figures. However, when we aggregate by Regional Office, we find that Region VI (Dallas), would have 47% waiverable, Region V (Chicago) would have 63% of its deficit centers waiver-eligible, and Region VIII (Denver) would have 71% eligible for waivers.

TABLE V-2

PRIVATE ENROLLMENT IN FFP CENTERS

States	Percent Private Enrollment In FFP Centers	Percent of Waiverable Centers
Alabama	8%	0%
Alaska	**	**
Arizona	65*	44*
Arkansas	15*	15*
California	39	30
Colorado	59*	56*
Connecticut	55*	32*
Delaware	15*	0*
District of Columbia	35*	19*
Florida	28	13
Georgia	20	17
Hawaii	52*	44*
Idaho	79*	87*
Illinois	52	40
Indiana	71*	32*
Iowa	58*	46*
Kansas	43	25
Kentucky	60*	43*
Louisiana	29*	14*
Maine	3*	0*
Maryland	30*	18*
Massachusetts	34	16
Michigan	64	50
Minnesota	68	59
Mississippi	**	**
Missouri	53	40
Montana	62	38
Nebraska	38*	12*
Nevada	**	**
New Hampshire	49*	30*
New Jersey	30	20
New Mexico	66*	53*
New York	28	23
North Carolina	14	2
North Dakota	**	**
Ohio	32	11
Oklahoma	48	18
Oregon	38*	23*
Pennsylvania	10	4
Rhode Island	52*	19*
South Carolina	18	15
South Dakota	62*	50*
Tennessee	29	19
Texas	46	38
Utah	56*	28*
Vermont	44*	16*
Virginia	58*	35*
Washington	53*	39*
West Virginia	49	34
Wisconsin	68*	42*
Wyoming	**	**
TOTAL	39%	26%

** Insufficient Data (Less than 10 centers in sample)

* Number of sample centers is between 10 and 19.

In contrast to States whose subsidized centers have large percentage of parent paid fee children, are States that have subsidized children in centers serving almost entirely (90% or more) government subsidized children. Twelve States have a substantial portion of the government funded children in centers serving (almost) exclusively subsidized children:

	%CHILDREN		%CHILDREN
Arkansas	91%	Alabama	64%
Mississippi	78%	North Carolina	62%
Georgia	76%	Tennessee	62%
South Carolina	75%	Maryland	57%
Pennsylvania	68%	Delaware	56%
New Jersey	65%	Maine	56%

(For further discussion about separation and integration of subsidized and non-subsidized children see the draft Regulatory Analysis, Section V, p. V-9).

2. Rates of Reimbursement

a. Requirement

The regulation requires that the State agency take into account the costs of meeting this reguirement in establishing rates of reimbursement for day care centers. Our intention is that the State should have a clear understanding of those costs and its rationale for paying either less or more. The regulaton requires the State Agency to make available upon request its cost analysis so that the rate setting process is an open one.

b. Analysis

This regulatory analysis assumes that reimbursement practices will pay for the added provider costs. This requirement does not directly add new costs on burdens to State administration. Nevertheless, we believe that this provision may lead to changes in some States' financial practices.

In 1976 the average national cost of center care was $8.00 per day. This figure did not reflect full compliance with existing regulations. By 1984 when all provisions of this regulation will be in effect, we estimate that the average national cost of center care would be aproximately $7.99 in 1977 dollars.1/ (This assumes that State exercise the waiver and reduce "surplus" staff.)

However, since 1976 the minimum wage has increased 34 percent (from $2.30 to $3.10/hour and the Consumr Price Index has increased about 31 percent (from 175 to 230). Adjusting the estimated 1976 cost of care to 1980 costs using an adjustment factor of 1.35 produces an estimated average national cost of $10.80 per day. Analysis of regional price differences indicates that rural areas might need to pay $9.18 pr day (85 percent of average) while metropolitan areas might need to pay $12.96 per day (120 percent of average).

1/ Although we use the 1.35 factor to adjust 1977 data to 1980, throughout this analysis, it must be emphasized that we do not have actual 1980 data, and do not know whether States and providers have continued 1977 operations at 1980 prices. Anecdotal evidence suggests that there are numerous exceptions both more and less than inflation increases. The total figures for centers, Table III-1, $800 million either minus $1 million or plus $22 million, assuming the same number of children, can be converted to daily costs by dividing by the number of children (400,000 times 250 days per year.

State reimbursement rates for 3-5 year old age children in center care range from $6.50 per day in Arizona to $22.00 per day in Pennsylvania, in early 1980.

The Department cannot accurately predict whether the change requirements will cause States to raise or lower their current reimbursement rates. Changes in reimbursement rates will depend upon a number of factors, including the current pattern of staffing rations within each State, the extent at which health and social services have been provided to eligible children, use of the waiver, the age distribution of children, cost of living differences and other factors unique to a particular State. The department intends to use the phase-in periods for the various requirements to collect information on reimbursement rate changes.

In establishing its day care requirements, the Department took into account that the cost of providing day care will likely vary based upon the age of children served. Although staffing costs may increase for infants and toddlers, they may decrease for children 3-5 years old. In 1976 there are about 6 to 7 times as many 3-5 year olds as children under 3 years in day care centers.) In setting reimbursement rates, States may choose to establish differential rates based upon cost for different age levels. Current information available to the Department indicates that only a few states have separate reimbursement rates for different age children.

3. Other Administrative Costs

The major costs to States, other than the providers costs of service, will be Careçiver Training and Health Services, both of which we have discussed.

Monitoring and Technical Assistance

State overhead for monitoring, technical assistance, interpretation of regulations, etc, was estimated to cost $8 million ($4 million centers and $4 million day care homes) above the current (1976) costs of $100 million. The final regulations do not change these estimates. Furthermore, we have received no new information which would cause us to significantly alter them. We would tend to agree with those who expressed the opinion that these estimates of administrative costs were probably understated. However, we do not believe that a more liberal cost estimate would add more than $1 or 2 million.

Health Standards

The final regulations require the State to establish and maintain health standards for day care centers and home personnel, sanitation standards, and transportation, swimming, and equipment safety standards. We believe that some states do not have some of these standards. We received no information, however, which would cause us to change the conclusion of the draft regulatory analysis that the benefits derived from having standards designed to protect the basic health and safety of the children in day care exceed whatever small additional costs that might be entailed to establishing these safety standards.

Licensing and Registration

Some States exclude certain types of centers from licensing requirements; for example, day care centers operated by religious organizations. These regulations require that any facility serving Title XX children must meet State and local requirements for licensing (or approval), health, sanitation, and building and fire safety. The analysis assumes that almost all, if not all, centers serving Title XX children are now approved as meeting these State and local requirements.

The draft analysis, which remains unchanged, estimated that 5 to 20 percent of day care homes are regulated, but that a higher percentage, 25 - 50% of those serving Title XX children are regulated or monitored in some systematic way.

VI. Federal Enforcement

Requirement

None (the Federal government does not regulate itself through rules such as this).

Costs

The cost to the Department of administering and enforcing the new regulations must also be considered. For the most part Federal activities will include providing guidance and interpretations to States, monitoring State day care activities and providing technical assistance to States, sampling day care activities at the provider level, negotiating corrective action plans with States and dissemination of research, training and technical assistance materials.

Implementation of these regulations will require staffing and commitment heretofore not present.

During the first year or two we estimate that 4 to 5 person years of effort will be needed in each Regional Office plus another 15 to 20 person years in the central office to: coordinate interpretation and enforcement of the regulations; plan monitoring corrective action activities; organize research evaluation training; technical assistance and undertake other activities to assist State and local officials in implementing the new requirements. Approximately 25 Federal staff would cost about $750,000. We estimate the cost of Federal staff -- including expenses for travel, publication and dissemination of information,

and distribution of technical guides and manuals -- to be $3.6 million in FY 1981. Another $5.8 million will be needed for related research, demonstration, evaluation, training and technical assistance activities. Thus, excluding title XX training funds (estimated at $29 million in FY 1981), it will cost a total of $9.4 million to pursue implementation activities in FY 1981 Estimated cost for the remainder of the implementation phase are: $9.2 million in FY 1982; $8.7 million in FY 1983; and $8.4 million in FY 1984. (It should be noted that some of these costs will be absorbed by redirecting resources - existing staff working on other program - to the new day care implementation effort. For example, in FY 1981, new RD&E costs will be $3.3 million, added to a base from FY 1980 of $2.5 million. Likewise, total staffing and travel expenditures for FY 1981 will consist of $2.5 million new money and $0.9 million from the FY 1980 base. In both of these examples the resources - FY 1980 base - would have been planned for FY 1981, but were not originally planned for day care implementation.)

These estimates and the accompanying budget requests are of course subject to the normal budget and appropriation processes.

VII PHASING AND IMPLEMENTATION

The preceding analysis gives all cost in terms of full-year implementation. However, full implementation will not be reached until 1984, as explained below.

1. Requirements

The regulations take effect October 1, 1980; except that the training requirements for both centers and day care homes and the health and social service referral requirements for day care homes take effect April 1, 1981. The center group composition requirements may be extended up to two years (October 1, 1982) upon showing to the Secretary by a State that additional time is needed to meet these requirements.

2. Costs

We cannot predict the State's responses to these requirements. Some States will move aggressively to try to implement them. Others will move more reluctantly. Requirements such as group composition and training will no doubt take longer to implement than the health and social services referral requirements. Given these caveats, we have assumed that it will take an average of two years for each requirement to reach full cost.

Table VII shows that we expect $42 to 65 million in additional costs from the requirements which take effect on October 1, 1980, and $39 million from the ones taking effect April 1981; i.e., training and day care home referral requirements. Because of the two year phase-in assumption we estimate that the full effect of these additions will not be felt until FY 1984.

(See Table VII-1). These figures are in 1977 dollars. Estimates are also shown if we inflate the FY 1977 figures to current dollars (January 1980). The total added cost of these regulations in FY 1984 is estimated to be between $109 and $141 million. (The difference relates to the assumption of whether the group composition requirements will add or reduce cost.) This is added to a base of $2,252 million (1980 dollars) and is an increase of approximately 5%. In fiscal years 1981 and 1982, respectively, the final regulation will only increase day care costs by about 1% and 3%.

TABLE VII-1

PHASING OF ADDED COSTS OF REGULATIONS
(dollars in millions)

	Cost By Year of Implementation			
	FY 1981	FY 1982	FY 1983	FY 1984 1/
Requirements Effective Oct. 1, 1980 2/				
Centers	$ 0 to 6	$ 0 to 20	$ -1 to 22	$ -1 to 22
Day Care Homes	+ 3	+ 9	+ 11	+ 11
Other Budgets	13	+ 28	+ 33	+ 32
Subtotal	+$ 16 to 22	+$ 37 to 57	+$ 43 to 66	+$ 42 to 65
Requirements Effective April 1, 1980 3/				
Centers	-	-	-	-
Day Care Homes	-	+ 1	+ 1	+ 1
Other Budgets	+ 5	+ 19	+ 35	+ 38
Subtotal	+ 5	+ 20	+ 36	+ 39
TOTAL (1977 dollars)	+$ 21 to 27	+$ 57 to 77	+$ 79 to 102	+$ 81 to 104
TOTAL (1980 dollars) 4/				
Centers	$ 0 to 8	$ 0 to 27	$ 0 to 30	$ 0 to 30
Day Care Homes	4	14	16	16
Other Budgets	22	61	92	95
TOTAL INCREASE	+$ 26 to 34	+$ 75 to 102	+$107 to 138	+$109 to 141
TOTAL BASE COSTS 5/	$2,252	$2,252	$2,252	$2,252
Percent increase	1%	3%	4%	5%

1/ Same as total shown in tables III - 1 & 2. Assumes fully implemented which does not occur until FY 1984.

2/ All requirements except training (centers and day care homes) and health and social services referral (day care homes). Percent implementation averages years are: 25% in FY 1981, 75% in FY 1982, 100% in FY 1983.

3/ Assumes percent implementation averages are: 12.5% in FY 1981, 50% in FY 1982, 87.5% in FY 1983, 100% in FY 1984.

4/ Based of 1.35 factor used to adjust to January 1980 dollars, as explained in text.

5/ This figure is the sum of the two Grand Totals from Charts III - 1 & 2 ($1,668) times 1.35 inflation factor. It is the estimated cost of care in 1977 inflated to 1980 dollars and does not include the increases attributed to the new regulations.

VIII SOURCES OF DATA

Computer Analysis

Virtually all the reanalysis of data discussed in Section IV comes from special computer runs of data gathered by the NDCS. The data come from interviews of approximately 3000 day care center directors. The sample was nationally representative and obtained between April 1976 and March 1977. The computer analysis was done, for the most part, by HEW staff with assistance from Abt Associates' and NDCS project staff.

Inflation

The cost data were assumed to be as of December 1976, on average. They were inflated to January 1980 costs using an inflation factor of 1.35. This "inflation" only accounts for the average change in costs (prices) during the three year period. It does not take into account the numerous changes that have occurred in many States involving changes in State policy about day care. Some states have increased their day expenditures, some states have reduced their day care expenditures, and a few States have decided to use State funds rather than Title XX funds to purchase day care. That data used to calculate the change in prices came from Consumer Prices (All items and Services) found in "Economic Indicators", January 1980, GPO.

Citation Correction

Several references were made in the draft Regulatory Analysis to the Title XX FIDCR Impact Study. Sometime the citation was "APWA/REAP" and others "REAP". Both organizations worked on the study. Since REAP, Associates was a subcontractor to the American Public Welfare Association, the correct citation should be "APWA."